

THE GLIDDEN COMPANY
CLEVELAND, OHIO

GLIDDEN
Everywhere on Everything

ANNUAL REPORT
Fiscal Year Ended October 31, 1936

THE GLIDDEN COMPANY

PRINCIPAL DIVISIONS AND PRODUCTS

● The Glidden Company, manufacturing Jap-A-Lac, Speed-Wall, Ripolin, Flourenamel, Endurance House Paint, Glidden-spar Varnish, and a complete line of home and industrial paints, varnishes, lacquers, enamels. ● Also owning and operating the following: Euston Lead Division, manufacturing Euston White Lead. ● Chemical and Pigment Division, manufacturing Astrolith and Sunolith Lithopones, Cadmium Reds and Yellows, Titanolith, Titanium Dioxide ● Metals Refining Division, manufacturing MRCO Grid Metal, Mixed Metal, Wilkes Type Metal, Metrox Red Lead, Cuprous Oxide, Copper Powder, Litharge ● Soy Bean Division, manufacturing Lecithin, Soy Bean Meal, Oil, Flour and Protein. ● Nelio-Resin Division, manufacturing Nelio-Resin, Turpentine, Rosin ● Durkee Famous Foods Division, manufacturing Durkee's Famous Dressing, Dunham's Coconut, Durkee's Margarine, Durkee's Spices, Durkee's Shortening, Durkee's Worcestershire Sauce, etc.

GLD002927

THE GLIDDEN COMPANY

CLEVELAND, OHIO

December 31, 1936

TO THE SHAREHOLDERS:

On behalf of the Board of Directors the certified Annual Report of The Glidden Company for the year ending October 31, 1936 is herewith submitted. Comparisons with previous reports can easily be made as there has been no change in accounting procedure.

During the year by means of the sale and exchange of 200,000 shares of 4½% Convertible Preferred Stock the company has retired all of its funded debt and all of the 7% Prior Preference Stock, thereby effecting a very considerable saving and eliminating all long term indebtedness.

The net profits for the year after Interest, Depreciation Charges and all State and Federal Taxes, amounted to \$3,085,468.89 as compared with a profit of \$2,645,590.17 for the previous year. After allowing for payment of dividends on the old Prior Preference Stock and the new Convertible Preferred Stock these earnings are equivalent to \$3.29 per share on the outstanding Common Stock as compared with \$2.91 per share for the previous year.

All of the properties of the company have been maintained in splendid physical condition and the regular schedule for charging depreciation has been followed.

Your Directors are pleased to report that the United States Supreme Court denied the Government's application to review the judgment dismissing the Government's three million dollar suit against the company for alleged alcohol taxes, thereby finally disposing, in the company's favor, of a claim which, though without merit, had been the subject of considerable newspaper publicity.

Mention was made in the last Annual Report of plans for the rebuilding of the Soya Bean Oil Extraction plant at Chicago and various Soya Bean processing auxiliaries. Construction of these plants has been completed and all departments are now contributing to the profits of the company.

The sales for November and December, the first two months of the new fiscal year, show a large increase over the sales for the same period last year and the prospects for our whole business for the new year are most encouraging.

Your Directors desire to take this opportunity to express their appreciation of the good work of the executives and employees whose loyal efforts have contributed so substantially to the good results shown in this report.

By order of the Board of Directors.

ADRIAN D. JOYCE

President.

GL0002928

CONDENSED BALANCE SHEET
The Glidden Company and Subsidiaries
As at the close of business

ASSETS

CURRENT

Cash.....		\$ 1,376,057.34	
Customers notes and acceptances receivable.....	\$ 92,238.34		
Customers accounts receivable.....	4,383,193.77		
	\$ 4,475,432.11		
Less reserves.....	177,472.08	4,297,960.03	
Miscellaneous current accounts and creditors debit balances.....		216,152.31	
Inventory (lower of cost or market values):			
Raw material, in process, finished goods and supplies.....		10,106,826.76	\$15,996,996.44

OTHER ASSETS

Cash surrender value of life insurance.....	\$ 366,673.75		
Claims against closed banks, less reserve.....	72,886.79		
Miscellaneous notes and accounts, salesmen's advances, sundry investments, etc.....	199,626.08	639,186.62	

INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES

California mining companies (Note A)			
(at less than cost):			
Capital stock (fully owned).....	\$ 15,000.00		
Bonds (principal amount \$500,000.00).....	187,500.00		
Advances.....	841,279.61	\$ 1,043,779.61	
Affiliated company (at cost)			
(Note B):			
Capital stock.....	\$ 600,000.00		
Advances.....	85,040.20	685,040.20	1,728,819.81

PROPERTY, PLANT AND EQUIPMENT

Land at cost or less.....	\$ 1,929,334.86		
Buildings, machinery, equipment, etc., at cost or less.....	15,828,634.70		
	\$17,757,969.56		
Less reserve for depreciation and depletion.....	5,743,587.21	12,014,382.35	

INTANGIBLES

Patents, rights to manufacture, formulas, etc. (unamortized portion).....		104,848.49	
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DEFERRED

Inventory of advertising stock, stationery, unexpired insurance premiums, prepaid taxes, etc.....	\$ 366,838.67		
Special new products development.....	115,916.91	482,755.58	
		<u>\$30,966,989.29</u>	

GLD002929

BALANCE SHEET

Consolidated Subsidiary

October 31, 1936

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT

Notes payable for money borrowed from banks.....	\$ 800,000.00		
Accounts payable for purchases, pay rolls, etc.....	1,340,635.07		
Accrued taxes, interest, insurance, royalties, etc., including federal income tax.....	927,402.85	\$ 3,068,037.92	

RESERVE

For contingencies.....			67,885.56
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CAPITAL STOCK AND SURPLUS

CAPITAL STOCK

Convertible preferred stock, 4½% cumulative—
par value \$50.00 a share (convertible into com-
mon stock, share for share on or before March
1, 1937 and thereafter at rates specified in
articles)

Authorized and outstanding 200,000 shares.....	\$10,000,000.00		
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Common—without par value:

Authorized 1,000,000 shares
Outstanding 800,000 shares
Reserved for conversion—
200,000 shares

Stated capital at \$5.00 a share.....	4,000,000.00	\$14,000,000.00	
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SURPLUS

Capital.....	\$ 7,524,343.82		
Profit and loss.....	6,306,721.99	13,831,065.81	27,831,065.81
			<u>\$30,966,989.29</u>

(Note A) Investments in California mining companies, whose assets consist entirely of properties not being operated, are stated herein at less than cost, which carrying value on the basis of unaudited balance sheets, was \$73,772.93 less than the book value of the net assets of those companies. Losses have been experienced by these companies from date of acquisition to October 31, 1936, however, the losses for the past few years, since operations of properties were suspended, have represented principally expenses in maintaining the properties. The value of investments in these companies is indeterminable at this time.

(Note B) Investment in affiliated company represents a 45% interest in common stock and 100% interest in preferred stock of a company, the unaudited statement of which shows accumulated undistributed earnings of \$10,493.19 at October 31, 1936.

(Note C) The Company was reported as having letters of credit outstanding in the amount of \$932,083.44 and it was contingently liable in the maximum amount of \$29,281.08 as guarantor of customers notes receivable issued under the National Housing Act and for a subscription to stock of another corporation in the amount of \$19,200.00. Under an existing agreement, the Company may be required to purchase capital stock of a corporation up to a maximum amount of \$500,000.00.

GL0002930

SURPLUS ACCOUNTS

The Glidden Company and Consolidated Subsidiary* - October 31, 1936

CAPITAL SURPLUS

Balance October 31, 1935..... \$ 9,870,176.72

DEDUCTIONS

Write-off of intangibles, not previously amortized,
as authorized by Board of Directors:

Good will, trade marks, formulas, etc..... \$ 2,693,141.24

Reorganization expenses and commissions on sale
of preferred stock in prior years..... 365,921.09

\$ 3,059,062.33

Less restoration of portion of reserve for contingencies
provided out of capital surplus at November 1, 1931 67,912.46 \$ 2,991,149.87

Less net addition resulting from adjustment of capital
structure:

Excess of selling price of \$22.00 per share over
stated value of \$5.00 per share of 46,119 shares
of common stock, previously reserved for sale
to officers, key employees and others..... \$ 784,023.00

Excess of selling price of \$52.50 per share over
par value of \$50.00 per share of 141,538 shares
of convertible preferred stock (58,462 additional
shares of convertible preferred stock
exchanged for 29,231 shares of prior prefer-
ence stock)..... 353,845.00

\$ 1,137,868.00

Less:

Underwriting fees and ex-
penses in connection with
issuance of 200,000 shares
of convertible preferred stock \$ 313,706.03

Premium paid on retirement of
35,769 shares 7% prior pre-
ference stock.....

178,845.00 492,551.03 645,316.97 2,345,832.90

BALANCE OCTOBER 31, 1936 \$ 7,524,343.82

PROFIT AND LOSS—SURPLUS

Balance October 31, 1935..... \$ 5,358,242.84

ADDITIONS

Net profit from operations for the
fiscal year ended October 31, 1936 \$ 3,085,468.89

Less dividends paid:

Prior preference—\$5.25 a share... \$ 341,250.00

Convertible preferred—\$.56¼ a
share..... 112,505.27

Common—\$2.00 a share..... 1,576,924.00 2,030,679.27 \$ 1,054,789.62

LESS:

Premium on retirement of Glidden 5½% gold notes
and first mortgage 6% bonds of subsidiary com-
panies..... \$ 33,904.00

Unamortized note issue expense and expenses in-
curred in retirement and redemption of notes
and bonds..... 11,434.07

Reduction of investment in Nelio-Resin Corpora-
tion (net assets of which were acquired as of
November 1, 1935) to net book value as shown
on books of that Company at November 1, 1935 60,972.40 106,310.47 948,479.15

BALANCE OCTOBER 31, 1936.. \$ 6,306,721.99

(Note A) In prior years certain items of discount and expense, provision for contingencies and losses on dismantlement have been charged to capital surplus. If such items together with additional depreciation claimed for federal income tax purposes had been charged against earned surplus instead of capital surplus, the respective amounts of such surplus accounts would be \$5,589,741.59 and \$8,241,324.22 as of October 31, 1936.

GLD002931

CONDENSED OPERATING STATEMENT
The Glidden Company and Consolidated Subsidiary*
For the fiscal year ended October 31, 1936

NET SALES (excluding inter-company and subsidiary sales and transfers).....		\$44,580,959.33
Profit before interest, depreciation and other income.....		\$ 4,091,032.70
Other income—net.....		149,889.71
		\$ 4,240,922.41
Interest on funded debt.....	\$ 108,656.26	
Other interest expense.....	30,062.19	138,718.45
		\$ 4,102,203.96
PROFIT BEFORE PROVIDING FOR DEPRECIATION AND FEDERAL INCOME TAX		542,735.07
Provision for depreciation and depletion.....		
		\$ 3,559,468.89
PROFIT BEFORE FEDERAL INCOME TAX		474,000.00
Provision for federal income tax.....		
		\$ 3,085,468.89
		NET PROFIT

*Including accounts of subsidiaries dissolved during the year.

(Note A) No provision has been made in the foregoing statement for loss of fully owned non-operating California Mining Companies for the year, amounting to \$41,836.77 including provision for depreciation in the amount of \$27,908.64.

(Note B) Depreciation claimed for federal income tax purposes for the year 1936 was \$75,440.96 in excess of the provision in this statement, such excess being due to depreciation claimed on costs written off or credited to revaluation reserve during 1932.

(Note C) Special new products development, aggregating \$20,346.20 for the fiscal year 1936, deferred in the accompanying balance sheet, was treated as expense for the purpose of computing estimated federal income tax liability for the year.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
CLEVELAND
Union Trust Building

December 22, 1936.

The Glidden Company,
Cleveland.

We have made an examination of the consolidated balance sheet of THE GLIDDEN COMPANY and its wholly owned subsidiary THE GLIDDEN COMPANY, LTD., (California mining companies excluded) as at October 31, 1936 and of the statement of income and surplus (which includes subsidiaries dissolved during the year) for the year ended at that date. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence, and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories, as indicated by tests made by us, are stated on the general basis of the lower of cost or market prices with sufficient allowances having been provided to eliminate estimated inter-company and inter-division profits.

Property, plant and equipment are stated on the basis of cost or less, reduction having been made in 1932 to eliminate appreciation and to provide for further write-downs.

Officers of the Companies have expressed the opinion that pending lawsuits are of minor importance and that no material losses will result therefrom.

In our opinion, based upon our examination and excluding the California mining companies, the accompanying consolidated balance sheet and related statement of income and surplus fairly present the consolidated position of the Company and The Glidden Company, Ltd., at October 31, 1936 and the results from their operations (and including subsidiaries dissolved during the year) for the year ended at that date. Subject to the foregoing comments and to the footnotes on the accompanying statements, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST
Certified Public Accountants.

GLD002932

THE GLIDDEN COMPANY

CLEVELAND, OHIO

FACTORIES FROM COAST TO COAST
BRANCHES IN PRINCIPAL CITIES

Atlanta, Ga.	Knoxville, Tenn.
Bakersfield, Calif.	Los Angeles, Calif.
Baltimore, Md.	Long Island City, N. Y.
Berkeley, Calif.	Louisville, Ky.
Binghamton, N. Y.	Miami, Fla.
Birmingham, Ala.	Minneapolis, Minn.
Boston, Mass.	Montreal, Canada
Buffalo, N. Y.	New Orleans, La.
Chicago, Ill.	Norwalk, Ohio
Cleveland, Ohio	Oakland, Calif.
Chico, Calif.	Pittsburgh, Pa.
Collins, Ga.	Portland, Ore.
Collinsville, Ill.	Reading, Pa.
Dallas, Texas	Sacramento, Calif.
Detroit, Mich.	San Antonio, Texas
Elmhurst, L. I. N. Y.	San Francisco, Calif.
El Paso, Texas	San Jose, Calif.
Evansville, Ind.	Scranton, Pa.
Ft. Worth, Texas	St. Louis, Mo.
Fresno, Calif.	Stockton, Calif.
Halifax, N. S.	Tampa, Fla.
Hammond, Ind.	Toledo, Ohio
Houston, Texas	Toronto, Canada
Honolulu, T. H.	Winnipeg, Canada
Jacksonville, Fla.	Wilkes Barre, Pa.
West Palm Beach, Fla.	

GLD002933

CONSENT

In conformity with the Articles of Incorporation of The Glidden Company which require the affirmative vote or written consent of the holders of record of at least seventy-five (75) per cent. of the aggregate par amount of the Prior Preference Stock outstanding to the issuance of any obligations maturing more than one (1) year from their respective dates, the undersigned, a holder of Prior Preference Stock of said Company, hereby consents to the creation of indebtedness by said Company in an amount not in excess of \$3,400,000 to be evidenced by unsecured promissory notes maturing on or before June 1, 1939, bearing interest at not to exceed two and one-half (2½) per centum per annum and containing such other terms and conditions as may be authorized by the Board of Directors.

This consent is given with the express understanding that the funds received from the creation of such indebtedness are to be used for the purpose of redeeming on June 2, 1936, or as soon thereafter as is practicable, all of the outstanding Five Year Five and One-Half Per Cent. Gold Notes of The Glidden Company maturing June 1, 1939, in the principal amount of \$3,262,000 and redeeming or paying the bonds of subsidiary companies heretofore assumed and now in the hands of the public in the aggregate principal amount of \$97,200 all in accordance with the letter of the President dated March 23, 1936, a copy of which the undersigned has received.

Dated this.....day of....., 1936.

.....
Shareholder's Signature

In the presence of:

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